WEEKLY ECONOMIC REVIEW

MAY 27, 2005

In its semiannual economic outlook released this week, the Organization for Economic Co-operation and Development (OECD) lowered its global growth forecast due to sluggish economic activity in both the euro zone and Japan. Strong growth in China and the United States continues to widen global growth among countries. Following the same reasoning, the International Monetary Fund (IMF) has forecast slower growth in 2005 at 4.3%, down from 5.1% in 2004.

As expected, U.S. preliminary first quarter GDP growth was revised up 0.4 percentage points to 3.5%. A downward revision to import growth, which was partially offset by slower inventory accumulation, was mostly responsible for the improved estimate. With personal incomes seeing its strongest growth this year in April (+0.7 per cent), concerns regarding a potential prolonged period of U.S. economic weakness have eased.

Positive economic news in the United States and weak economic numbers in the euro zone lifted the U.S. dollar against the euro. However, the Canadian dollar got a bit of a lift from an upturn in oil prices this week.

The Bank of Canada maintained its overnight target rate at 2.5% on Wednesday. With the interest rate differential continuing to weigh on the Canadian dollar, the Bank stated "a reduction of monetary stimulus will be required over time". Markets still expect the Bank of Canada to refrain from interest rate hikes until the second half of 2005.

Cdn Dollar (US¢/CS)

May 27, 2005	79.5¢
May 20, 2005	79.2¢
2005-06 YTD	80.3¢

WTI Oil SUS/bbl

May 26, 2005	$51.01
May 19, 2005	$46.92
2005-06 YTD	$51.58

Nymex Natural Gas CS/mcf*

July Contract

May 27, 2005	$7.99
May 20, 2005	$8.05

*estimate based on Nymex Futures Market Price

Alberta's farm income increased to $1.7 billion in 2004 from $749 million in 2003 and was over 25% higher than the preceding decade average. Improvements in farm cash receipts along with relatively unchanged operating expenses and increased inventories resulted in the higher farm income figure.

The price of oil surged this week following the announcement of a surprising drop in U.S. inventories following a 6-year high in inventories last week. Markets remain sensitive to crude market fundamentals as the summer driving season begins.

Economic Indicators Released this Week	Reference Period	Quarter/Previous Quarter	Quarter/Previous Quarter (Annualized Rate)	Quarter/Previous Year's Quarter
US GDP	1st Quarter 2005	0.9%	3.5%	3.7%
Farm Cash Receipts	1st Quarter 2005			
Alberta		3.0%	N/A	-3.9%
Canada		-6.1%	N/A	3.4%

Source: Bureau of Economic Analysis and Statistics Canada